

Message Text

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41

ACTION AGR-08

INFO OCT-01 NEA-10 ISO-00 AID-05 OES-06 USIE-00 COME-00

L-03 IGA-02 FEAE-00 EA-07 SSO-00 NSCE-00 SP-02 EB-07

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

INRE-00 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01 PRS-01

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O 121634Z APR 76

FM AMEMBASSY TUNIS

TO SECSTATE WASHDC IMMEDIATE 2363

LIMITED OFFICIAL USE TUNIS 2564

E.O. 11652: N/A

TAGS: EAGR, ETRD, TS

SUBJECT: REPORTED TUNISIAN WHEAT EXPORT OFFER

REF: STATE 085062

1. EMBASSY HAS OBTAINED CONFIRMATION OF GOT PLANS
TO EXPORT HARD WHEAT IN FORM OF COPY OF CONDITIONS OF SALE
ISSUED BY CEREALS OFFICE APRIL 5. DOCUMENT SOLICITS BIDS
TO PURCHASE 20,000 TONS OF WHEAT FROM 1975 CROP FOR EXPORT
FROM BIZERTE. OFFERS TO BE RECEIVED BY APRIL 13 AND IF SALE
CONSUMMATED TOTAL EXPORTS TO BE CONCLUDED BY MAY 15. ACCORDING
TO UNOFFICIAL BUT KNOWLEDGEABLE PRIVATE TRADE SOURCE, CEREALS OFFICE
WOULD LIKE TO EXPORT SOME ADDITIONAL QUANTITIES OF HARD WHEAT
THIS YEAR AND INCREASE CORRESPONDINGLY ITS IMPORTS OF SOFT WHEAT.
HE NOTED THAT BASIS OBJECTIVE IS TO OBTAIN FOREIGN EXCHANGE
TO DECREASE DRAIN ON FOREX RESERVES BY EXPORTING SOME OF
TUNISIA'S HIGH-PRICE HARD WHEAT AND MEETING BREAD WHEAT
DEFICIT THROUGH IMPORTS OF LOWER PRICE SOFT WHEAT.

2. EMBASSY DISCUSSED MATTER WITH OFFICIAL IN MINFOR

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AFFAIRS AND STRESSED THAT PROPOSED PL-480 SALES AGREEMENT

AS DRAFTED CLEARLY PRECLUDES CONTEMPLATED SALE OF HARD WHEAT OR ANY OTHER WHEAT EXPORT FOR THIS U.S. FISCAL YEAR, INTERIM QUARTER AND POSSIBLY FY 77. FOREIGN AFFAIRS OFFICIAL NOTED THAT CEREALS OFFICE ACTION MAY HAVE BEEN TAKEN WITHOUT KNOWLEDGE OF POSSIBLE PL 480 SALE, SINCE FOREIGN OFFICE (WHICH WAS INFORMED OF PROPOSED SALE MARCH 12) ONLY NOTIFIED CEREALS OFFICE ON APRIL 6. HE ALSO NOTED DIFFERENCE BETWEEN HARD WHEAT AND SOFT WHEAT, STRESSING THAT TUNISIA'S HARD WHEAT PRODUCTION NOW EXCEEDS LOCAL DEMAND EVEN THOUGH BREAD WHEAT NEEDS MUST CONTINUE TO BE MET BY IMPORTS.

3. COMMENT: AS PRELIMINARY COMMENT PENDING FURTHER CLARIFICATION OF GOT INTENTIONS, WE MIGHT NOTE THAT TUNISIA HAS HAD SERIOUS DRAWDOWN OF FOREIGN EXCHANGE RESERVES SINCE FIRST OF YEAR AND MAY LOOK AT CARRY-OVER OF 1975 HARD-WHEAT RESERVES AS READILY AVAILABLE SOURCE OF EXPORT EARNINGS WITH LITTLE THREAT OF SHORTAGE IN VIEW OF WHAT LOOKS LIKE RECORD CEREALS HARVEST LATER THIS YEAR. FURTHERMORE, GOT MAY WELL VIEW EXPORT OF HARD WHEAT IN EXCHANGE FOR CHEAPER SOFT WHEAT AS LOGICAL EXTENSION OF ITS POLICY TO MAXIMIZE FOREX RETURNS THROUGH TRADE-OFFS OF THIS KIND, AS IN CASE OF OLIVE OIL AG YEAR SOY BEAN OIL

AND LOCAL HIGH QUALITY CRUDE OIL FOR HIGH-SULFUR PERSIAN GULF CRUDE FOR BIZERT REFINERY. APPEARS THAT DESPITE FAVORABLE PROSPECTIVE WHEAT HARVEST, TUNISIA MAY STILL IMPORT WELL OVER 200,000 TONS OF SOFT WHEAT, CONSIDERABLY IN EXCESS OF PROPOSED UMR.

4. RECOMMENDATION: WE HOPE THAT SERIOUS CONSIDERATION CAN BE GIVEN TO MAINTAINING OPEN OUR POL 480 OFFER WHILE AMENDING IT TO PERMIT EXPORT OF SOME TUNISIAN HARD WHEAT, SURPLUS TO CONSUMPTION NEEDS. GOT IS ANXIOUS TO IMPROVE FOREIGN EXCHANGE SITUATION BY MAKING OPTIMUM USE OF ALL AVAILABLE RESOURCES. ALLOWING TUNISIA TO STRENGTHEN ITS BALANCE OF PAYMENTS POSITION IS CLEARLY CONSISTENT WITH OUR POLITICAL OBJECTIVES IN RESPONDING IN MODEST WAY TO LAST YEAR'S GOT REQUEST FOR PL 480 WHEAT, WHICHIT FORMULATED AT LIMITED OFFICIAL USE

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TIME WHEN MAGNITUDE OF 75 AND 76 CROPS NOT FULLY APPARENT.

5. PLEASE ADVISE SOONEST. IN MEANTIME, EMBASSY/USIAD WILL CONTINUE TO SEEK FURTHER CLARIFICATION.
KING

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Message Attributes

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Disposition Date: 28 MAY 2004
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04 MAY 2006

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